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**FISCAL IMPACT STATEMENT**

**LS 7451**

**BILL NUMBER:** HB 1390

**NOTE PREPARED:** Jan 9, 2013

**BILL AMENDED:**

**SUBJECT:** Fire protection territories.

**FIRST AUTHOR:** Rep. Bacon

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** *Maximum Levies:* This bill specifies the factors that the Department of Local Government Finance (DLGF) shall consider when a civil taxing unit (unit) requests an increase in the unit's maximum property tax levy to meet the unit's obligations to a fire protection territory (FPT).

The bill also provides that 10 or more taxpayers may file a petition with the DLGF requesting the DLGF to reduce the maximum permissible property tax levy and the actual property tax levy for a unit that is the provider unit of a FPT and it specifies the factors the DLGF shall consider if such a petition is filed.

*Voting Members:* This bill provides that a member of the legislative body of a unit may not vote on a proposed ordinance or resolution authorizing the unit to join or establish a FPT if that member is: (1) an employee of an entity that is providing services under a contract with another unit that is or is proposing to be a member of the FPT; or (2) an independent contractor that is providing services under a contract with such a unit.

The bill specifies that if a member of the legislative or fiscal body of a participating unit in a FPT is an employee of another unit that is also a participating unit in the FPT, or if the member is employed by a contractor of such a unit or is an independent contractor contracting with such a unit, the member: (1) may not vote on the proposed budget, property tax levy, or property tax rate of the FPT, or on the salaries or benefits of employees of the FPT; and (2) may not serve on any board or committee established by the participating units for purposes of governing the FPT or otherwise overseeing the FPT.

The bill also provides that if a legislative or fiscal body of a unit is unable to vote: (1) on a proposed ordinance or resolution authorizing the unit to join or establish a FPT; or (2) on a proposed budget, property tax levy,

or property tax rate of a FPT or on the salaries or benefits of employees of a FPT because a majority of the members of the legislative or fiscal body are prohibited from voting, the county fiscal body of the county in which the greatest percentage of the unit's assessed valuation is located shall vote on the issue for which the legislative or fiscal body is unable to vote.

This bill specifies certain appointments that must be made to any board or committee established by participating units for purposes of governing or overseeing a FPT.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Summary:* This bill could result in a reduction of maximum levies for FPTs in some cases if (1) the DLGF evaluates maximum levy relief requests differently, or (2) taxpayers in a FPT file a successful petition to reduce the maximum levy. There are currently 45 FPTs with a total 2012 operating levy of \$37.4 M.

*Background:* Under current law, the legislative bodies of at least two contiguous taxing units may establish a FPT. All units involved in the FPT are participating units, one of which is the provider unit. During the first three years of the territory's existence, the participating units each impose a property tax levy to support the FPT. After three years, the provider unit imposes a levy and tax rate upon all of the property in the FPT and the other participating units' levies for fire protection are eliminated.

Currently, in the year before the first year that a levy to support the FPT is imposed, a civil taxing unit may petition the DLGF for an increase in its maximum levy to meet its obligations to the FPT. The DLGF may grant increases over a three-year period. In determining the allowable levy increase, The DLGF must consider the amount that the taxing unit must provide to meet the expenses of the FPT, including allowing for a reasonable operating balance.

Under this bill, the DLGF would instead be required to consider:

- 1) Budgets, levies, and tax rates in the area to be served by the FPT before the creation of the FPT;
- 2) Whether the requested increase is reasonable due to a population increase within the FPT; and
- 3) Any other factors determined by the DLGF.

The bill would also permit a petition by 10 or more taxpayers asking the DLGF to reduce the provider unit's maximum levy. If a petition is filed, the DLGF could reduce the provider unit's maximum levy. The DLGF would be required to consider population changes, assessed valuation changes, the cost of providing fire service, comparisons to similar jurisdictions, previous fire protection tax rates and levies, future needs, and other factors determined by the DLGF.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** Fire protection territories.

**Information Sources:** Local Government Database, DLGF.

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